

AR42

Firestone

1974
ANNUAL
REPORT

74th Annual Report The Firestone Tire & Rubber Company

1200 Firestone Parkway, Akron, Ohio 44317

Corporate Profile

Firestone is a diversified company with 125 manufacturing plants in 28 countries, rubber plantations on three continents and sales operations throughout the world.

The Company's principal products are tires for automobiles, trucks, buses, trailers, tractors, airplanes, earthmovers and wheeled vehicles of all kinds. But it also manufactures and markets 40,000 other products in the rubber, metal, plastic, textile and chemical fields.



Firestone is a leading producer of natural and synthetic rubber, rims and wheels for trucks and farm equipment, vinyl resins, film and sheeting, polyester and other synthetic fibers, a variety of molded rubber goods, polyurethane foam and many of its own raw materials and chemicals.

In the United States Firestone has a major retail sales organization with more than 1,300 Company-owned stores selling tires, automotive products and services, recreational and garden equipment and home appliances. The Company's products are also sold by thousands of independent dealers, oil companies, department stores and other retailers.

Overseas the Company's products are marketed in 135 countries by dealers, distributors, sales subsidiaries, branches and stores.

The continuing story of Firestone's growth and progress in 1974 is covered in the pages of this annual report.



Transfer Agents

Bankers Trust Company, New York
The Firestone Tire & Rubber Company, Akron

Registrars

Bankers Trust Company, New York
The Firestone Bank, Akron

Auditors

Coopers & Lybrand

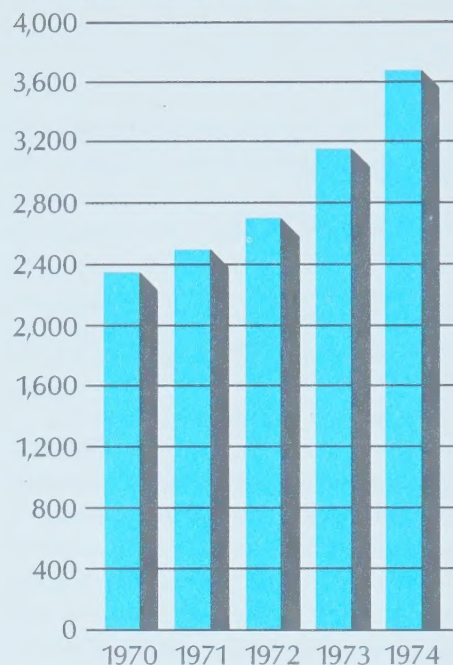
Financial Highlights

Dollars in Thousands, Except Per Share Amounts

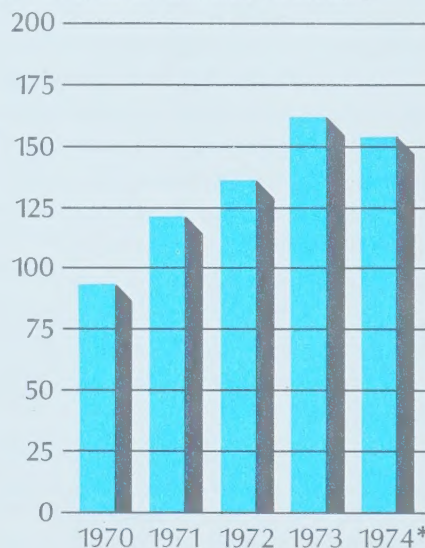
	1974	1973
Net Sales	\$3,674,890	\$3,154,919
Net Income (Note)	154,025	164,861
Net Income as a Percent of Sales	4.2%	5.2%
Cash Dividends	58,315	51,194
Net Income per Share of Common Stock (Note)	2.71	2.89
Cash Dividends per Share of Common Stock	1.025	.898
Wages, Salaries and Employee Benefits	1,192,317	1,010,277
Depreciation	136,114	119,625
Expenditures for Property, Plants and Equipment	329,941	278,200

Note - Net Income for 1974 before the change to the LIFO method of inventory valuation was \$196,260 and \$3.45 per share.

NET SALES Millions of Dollars

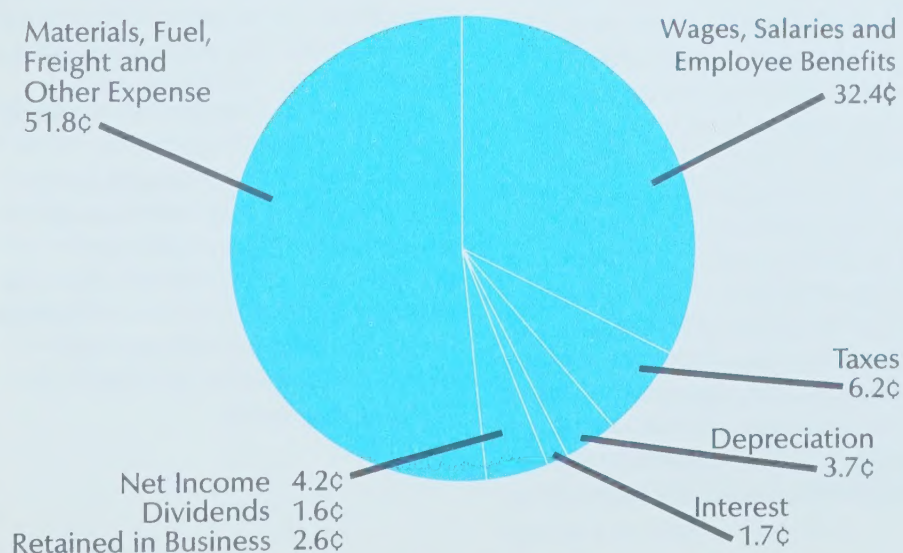


NET INCOME Millions of Dollars

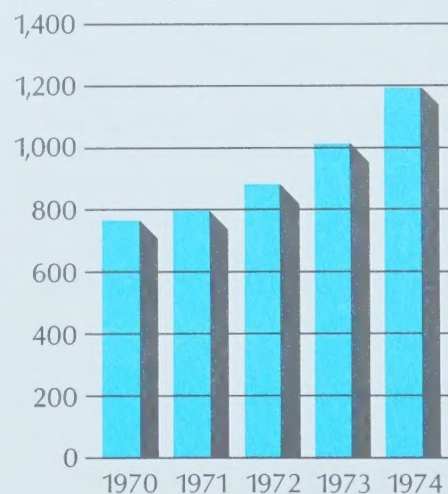


* See Note - Financial Highlights

1974 Distribution per Dollar of Sales



WAGES, SALARIES & EMPLOYEE BENEFITS Millions of Dollars



Report to Stockholders

We are pleased to report that 1974 was a year of positive growth achieved under difficult circumstances.

In the face of energy problems, the slowdown in the automobile industry, some raw material shortages, intensive passenger tire price competition and higher costs for all operations, Firestone managed to maintain a good level of profitability.

Net sales of \$3,674,890,000 for the year set a new record and were up 16.5 percent over the previous high mark of \$3,154,919,000 in 1973.

Net income for the year was \$154,025,000 after the change to the LIFO (last-in, first-out) method of inventory valuation compared with \$164,861,000 for 1973. Our income per share for the year was \$2.71 compared with \$2.89 in 1973.

We believe the use of the LIFO method results in a more conservative and realistic earnings picture and is in the best long-range interests of the stockholders.

In the fourth quarter the dividend on common stock was raised 10 percent to \$.27¹/₂ per share, an indicated annual rate of \$1.10. This was the tenth dividend increase since 1964. During this period the annual dividend has exactly doubled.

Sales and profits from international operations maintained their strength and contributed substantially to the fiscal year's favorable results. The diversified products, chemical and raw material divisions of our business were generally operating in a marketing climate of high demand and firm pricing which enabled them to continue their trend of rising sales and profits.



Raymond C. Firestone, Chairman

Growth

We believe that there will be continued growth in the tire market in the United States and throughout the world despite some temporary slowdowns in new car production in this country. Vehicle registrations are continuing to rise, both in the United States and overseas. The rate of increase abroad is more rapid than it is here.

While cars in use increased at an annual rate of 3.3 percent in North America between 1969 and 1974, the comparable yearly growth in Latin American countries where Firestone has plants was at the rate of 13.1 percent. Europe, Asia and Africa also experienced growth rates for cars in use during these years that were higher than in the United States.

The projections for such growth between now and 1979 maintain these trends. We are well positioned with sales and production facilities in this country and throughout the world to meet the growing demand we foresee.

While industry tire shipments for passenger cars and trucks were down this year from the 1973 records, we do not view it as a fundamental change in the tire market, but as a postponement or stretch-out of purchases reflecting problems of inflation and other economic uncertainties.

Our domestic and international plants worked at or near capacity throughout the year, and many of them were often on an overtime basis to meet market needs. Radial passenger car



Richard A. Riley, President

tires will equip some 70 percent of new 1975 cars and will account for 25 percent of the replacement market. We are prepared to meet these and all other tire market needs.

The tire manufacturing innovations accomplished in 1972 and 1973 placed us in a unique position in the industry by enabling us to make an efficient changeover to radial tire production without delays for equipment deliveries. They have also enabled us to maintain production flexibility and to produce all types of tires – radial, belted bias or conventional bias tires – in the proportion needed to meet changing market demands.

Expansions

To prepare for the future growth in domestic and world tire markets and the increases expected in our non-tire operations, capital expenditures were at an all-time high of \$329,941,000 for new plants, expansions and modernization programs in the fiscal year just concluded.

Present plans call for investment of \$330,000,000 in fiscal 1975 which would bring our four-year total through 1975 to \$1.1 billion. This is a practical indication of our confidence in the future of our industry and of our determination to insure our Company's growth.

The international operations of our Company continued their steady growth with expansions at tire plants in Spain, Italy, France, Brazil, Venezuela, Ghana, Australia, New Zealand and Thailand, among others. The radial passenger car tire plant in Wilson, North Carolina, began operations in April and expansions and modernizations were completed or are under way in most other U.S. tire plants.

A new dispersion resin plant is under construction at the Perryville, Maryland, plastics facility and construction has also begun on a new plant in Abilene, Kansas, for production of farm wagon running gear.

The new wire cord facility in Danville, Kentucky, and a new truck wheel plant in Henderson, Kentucky, began operations as did a foam products plant in Thomasville, Georgia.

During the year we sold the assets of the Firestone Adhesives Company, a small specialty business which did not fit into our mass production and mass marketing objectives.

After the close of the fiscal year we completed the sale of our 65 percent interest in Radiation Dynamics, Inc., a manufacturer of high voltage particle accelerators. This divestiture will have the effect of helping to concentrate our research and development activities in areas more directly related to our major product lines, and enable us to make more efficient use of research efforts and dollars.

Materials and Energy

We are encouraged that our 1974 results were achieved despite major strikes at several of our North American plants, some material shortages and continuing concern about the availability of energy. The strikes that took place during the year have been settled.

During the year we established an office of energy and raw materials planning to analyze Company needs and material availabilities as well as to establish priorities among sometimes differing needs and objectives. As a result, the flow of materials to our tire, chemical, raw material and diversified products plants continued throughout the year without any serious interruptions of production. While a few materials continue to be in short supply, the worst of the material shortages appears to be over.

The serious and continuing fuel shortage, however, became a major challenge during 1974, but because of our monitoring and conservation practices, Company operations were not, on the whole, significantly curtailed by energy problems.

Firestone began its fuel conservation programs as early as 1971, primarily because of the potential to reduce operating costs. These programs have resulted in major operating economies over the years. During fiscal 1974 the energy conservation programs in U.S. and foreign plants produced an annual saving of more than five percent of the Company's worldwide purchased power and fuel costs.

It has been and continues to be Firestone's philosophy that energy conservation is a crucial element in achieving overall business efficiency and success.

People

At the annual stockholders' meeting in January, Frank A. LePage, an executive vice president, was elected to the Board of Directors.

In May the Board elected Kimball C. Firestone, 41, to the Board to fill the vacancy created when his father, Leonard K. Firestone, resigned as a director to become U.S. Ambassador to Belgium. Mr. Leonard Firestone had served on the Board 35 years and was president of Firestone Tire & Rubber Company of California before his retirement from that post in 1970. Mr. Kimball Firestone is vice president for government affairs with headquarters in Washington, D.C.

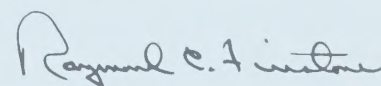
Firestone's continuing growth reflects the competence of Firestone people. We extend our sincere thanks to our employees and dealers who have demonstrated the collective ability to anticipate and effectively respond to changing products, processes, markets, materials and economic conditions.


Outlook

Firestone's international, diversified products, raw material and chemical operations made substantial contributions to the Company's 1974 sales and profits. The outlook in these areas of our business is favorable for 1975 and beyond because of generally strong pricing and high market demand.

Despite some temporary negative effects due to the drop in new car production and sales, the outlook for the tire industry as a whole remains positive. We expect that Firestone's position in the overall tire market will remain firm, and that our manufacturing, technical and marketing strengths will enable our domestic and overseas tire business to play an important role in the rising sales and profit trends we foresee in the years immediately ahead.

We do not expect that any of our operations will be significantly affected by either energy problems or raw material shortages in the short-range or intermediate future. In spite of present economic uncertainties, we believe the overall outlook for our Company is favorable for the rest of the 1970's.


Chairman


President

December 13, 1974

An Interview With Richard A. Riley

What single factor affected Company results the most in fiscal 1974?

There's a one-word answer to that: inflation. It put pressure on all our operations and distorted our sales and profit dollars.

This was a problem for all industry. What did you do to overcome it as far as Firestone is concerned?

We watched costs more closely than ever. We've always run a tight ship, but we made it even tighter. And we took steps to make our reported profits more realistic by adopting LIFO (last-in, first-out) accounting in valuing inventories. This change had the effect of improving our cash flow, meaning we had upwards of another \$39 million to use in running and expanding our business, money we didn't have to borrow at prevailing high interest costs.

Is this a one-time benefit?

Not as we see it. With continuing inflationary costs, we'll have the advantage of this improved cash flow each year from now on.

What about the slowdown in Detroit?

The drop in new car sales obviously affected the tire industry – and is continuing to do so. But the replacement market remained relatively strong, partly because people bought new tires for the cars they already had and were planning to keep.

What about radials? Won't their longer mileage cut down sales?

As the market penetration of the radial increases, we will reach a plateau in the number of tires sold, but the dollars they are sold for will increase because the radial is a higher cost and higher priced tire. The plateau in units will be temporary, along the order of the next 12 to 15 months. And in 1976 we expect overall passenger tire demand to resume a pattern of consistent growth. Firestone's growing strength in radials is one reason for our continuing earnings strength. Over seventy percent of today's new cars are coming through on radials and that kind of original equipment penetration is bound to lead to a strong and growing radial demand in the replacement market. We see a 31 percent increase in radial passenger tire sales in the replacement market alone in 1975.

Do you expect Firestone's capital expenditures to keep on growing?

If we want to be ready for the needs we see ahead, we have to make substantial investment commitments. But we do so only on the basis of proper return on investment. In tires and all the other businesses we are in, we plan our capital expenditures and expansions carefully so that we have what we need when we need it, without underutilizing plants or machinery. We see long-range growth ahead in our capital expenditures because we see growth ahead in our business – and we intend to be ready for it. This is the kind of prudent management planning we believe is good for the Company and its stockholders.

Will your capital investments program increase your debt?

It undoubtedly will, but not unreasonably. After the close of our fiscal year we announced a \$150 million debenture issue and \$50 million in intermediate term notes to reduce outstanding short-term borrowings and for general corporate purposes including capital expenditures. This makes our total debt picture more favorable in relation to our capital investment planning.

What's ahead for Firestone between now and 1980?

Growth. After a slight leveling off of unit sales in the next year or so, we see growing demand for tires in this country and overseas for the rest of the 1970's. We are well situated here and abroad to meet this demand. We see growth, too, in the chemical, metal, textile and other fields which are part of our diversification picture at Firestone. And we are ready for it.

Does the present uncertain economic picture affect this positive outlook?

Perhaps, but only short term. So far we have managed to avoid any extreme effects from prevailing economic difficulties, and we intend to continue to do so. We managed our way through worldwide material shortages and energy problems during the past year. We had to work hard, but we were successful. We think we can keep on being successful in meeting the challenges that lie ahead and we expect to be able to keep Firestone on a steady course of managed growth.

Financial Review

Accounting Policies

The following is a summary of significant accounting policies followed in the preparation of the accompanying financial statements. The policies conform to generally accepted accounting principles and, except for the method of valuing domestic inventories referred to below, have been consistently applied in the preparation of the financial statements.

Basis of Consolidation – The consolidated financial statements include the accounts of all majority-owned subsidiaries except for two wholly-owned subsidiaries, Bank Firestone, Ltd. and Firestone Credit Corporation, which are included on the equity basis.

Translation of Foreign Currencies – Foreign currency amounts are translated into U.S. dollars generally at free market exchange rates in effect at the end of the year for assets and liabilities and at the end of each month for income and expense, except for property, plants and equipment and related depreciation which are translated at the rates prevailing at acquisition dates. Net losses arising from translation of foreign currencies are charged to income.

Short-Term Investments – Short-term investments consist principally of marketable securities which are carried at cost, unless a decline in market value represents a significant decrease in the value of such securities. In the accompanying balance sheet, carrying values are substantially the same as market values.

Inventories – In 1974, the Company adopted the last-in, first-out (LIFO) method of inventory valuation for all domestic inventories, other than supplies, and continued using the lower of average cost or market for all other inventories. The LIFO method was adopted to charge the current costs of material, labor and other manufacturing expenses against current income rather than deferring such costs by increasing inventory values.

Depreciation Methods – Depreciation for financial reporting purposes is computed principally by the straight-line method.

Research and Development – Research and development costs are charged to expense as incurred.

Taxes on Undistributed Earnings of Subsidiaries – Dividends are remitted by subsidiaries of the Company except for earnings that are reinvested in their operations. No federal income tax is provided with respect to such undistributed reinvested earnings.

Investment Credit – Federal income tax investment credit is accounted for as a reduction in the provision for taxes on income in the year in which the credit arises.

Operations

Sales were \$3,674,890,000 in 1974, an increase of 16.5% over the previous record of \$3,154,919,000 for 1973. Net income for 1974, after the change to the LIFO method of inventory valuation, decreased from \$164,861,000 in 1973 to \$154,025,000. Income amounted to \$2.71 per share of common stock in 1974 compared with \$2.89 for 1973. The change to the LIFO method of valuing domestic inventories resulted in a reduction in net income of \$42,235,000 or \$.74 per share of common stock for the year 1974. Since the LIFO method is an acceptable method of inventory valuation for federal income tax purposes, income tax expense was reduced \$38,987,000, providing the Company with this additional cash for use in its business. If the previous lower of average cost or market method of valuing domestic inventories had been used, inventories would have been \$81,222,000 higher than reported at October 31, 1974. It is impractical to determine the cumulative effect on retained earnings at the beginning of the year and pro-forma results of operations for the year ended October 31, 1973, had the LIFO method of inventory valuation been followed consistently.

Sales for the fourth quarter ended October 31, 1974, were \$1,099,398,000 compared with \$910,278,000 for the same period last year and net income was \$66,856,000 and \$51,424,000 for the respective periods. The effect of the change to the LIFO method of valuing inventories on the quarterly net income and earnings per share for 1974 was as follows:

Quarter Ended	Net Income		Earnings Per Share	
	Before LIFO Adjustment	After LIFO Adjustment	Before LIFO Adjustment	After LIFO Adjustment
	Dollars in Thousands			
January 31	\$ 31,712	\$ 23,845	\$.56	\$.42
April 30	44,359	25,198	.78	.44
July 31	60,498	38,126	1.06	.67
October 31	59,691	66,856	1.05	1.18
Total	\$196,260	\$154,025	\$3.45	\$2.71

Quarterly information presented is not audited.

Net income of foreign subsidiaries was \$57,149,000 in 1974, compared with \$59,036,000 the previous year after deduction of losses from translation of foreign currencies of \$3,342,000 in 1974 and \$6,048,000 in 1973. The reduction in net income of foreign subsidiaries resulted primarily from prolonged strikes (now settled) in major tire plants in Canada. The consolidated balance sheet includes net assets in foreign countries of \$508,403,000 and \$431,600,000 at October 31, 1974 and 1973, of which net current assets were \$233,460,000 and \$174,252,000, respectively. Accumulated undistributed earnings of foreign subsidiaries reinvested in their operations amounted to \$256,569,000 and \$240,953,000, as of October 31, 1974 and 1973, respectively.

Sales and income for 1974 and 1973 are summarized by product groups below:

Dollars in Thousands	1974		1973	
	Amount	Percent of Total	Amount	Percent of Total
Sales				
Tires and Related Products	\$2,928,163	80	\$2,534,587	80
Industrial and Metal Products	430,993	12	395,305	13
Rubber, Textiles and Plastics	315,734	8	225,027	7
Total	<u>\$3,674,890</u>	<u>100</u>	<u>\$3,154,919</u>	<u>100</u>
Net Income				
Tires and Related Products	\$ 95,178	62	\$ 122,233	74
Industrial and Metal Products	23,089	15	26,550	16
Rubber, Textiles and Plastics	35,758	23	16,078	10
Total	<u>\$ 154,025</u>	<u>100</u>	<u>\$ 164,861</u>	<u>100</u>

The reduction in the percentage of income contributed by the Tires and Related Products Group for the year 1974 was caused primarily by the impact of the change to the LIFO method for valuing domestic inventories upon the profit margins and the prolonged strikes in several tire manufacturing plants in the United States and Canada.

Taxes were as follows:

Dollars in Thousands	1974	1973
Income (Less Investment Credit: \$8,100 in 1974 – \$6,900 in 1973)	\$117,700	\$120,500
Excise	236,793	237,493
Social Security	63,935	53,995
Property and Miscellaneous	46,772	38,373
	<u>\$465,200</u>	<u>\$450,361</u>

The effective income tax rates were 43.3% for the year ended October 31, 1974 and 42.2% for 1973. The difference between these rates and the statutory U.S. income tax rate of 48% resulted from:

	Year Ended October 31,	
	1974	1973
Investment tax credit	3.0 %	2.4 %
Foreign income taxes at effective rates of less than 48%	2.7 %	2.4 %
Other	(1.0) %	1.0 %
	<u>4.7 %</u>	<u>5.8 %</u>

Deferred income taxes arise principally from the use of accelerated depreciation methods for income tax purposes in the U.S. and certain foreign countries.

Cash Dividends

Cash dividends were paid in 1974 and 1973 as follows:

Dollars in Thousands	1974		1973	
	Amount	Per Share	Amount	Per Share
Month of Payment				
January	\$14,210	\$.25	\$12,357	\$.216
April	14,226	.25	12,332	.216
July	14,260	.25	12,336	.216
October	15,619	.275	14,169	.25
Total	<u>\$58,315</u>	<u>\$1.025</u>	<u>\$51,194</u>	<u>\$.898</u>

Firestone Credit Corporation

Firestone Credit Corporation (FCC) was organized and began its operations as of November 1, 1973, to purchase, without recourse, certain of the Company's customer accounts receivable, financing such purchases by the issuance of its short-term commercial paper. At October 31, 1974, FCC had net accounts receivable of \$101,929,000 against which it had issued commercial paper of \$80,000,000. The pretax income of FCC is included in the consolidated statement of income as a reduction of interest expense and its income tax is included in the consolidated provision for taxes on income.

Short-Term Borrowing Arrangements

At October 31, 1974, the Company had available from bank credit arrangements in the United States and foreign countries unused credit and overdraft lines amounting to \$223,549,000, of which \$150,100,000 provides support for the outstanding commercial paper of the Company and Firestone Credit Corporation. In connection with the domestic credit lines and borrowings, the Company maintains average collected balances with banks in amounts sufficient to compensate the banks for the credit lines. Such compensating balances are not a significant portion of the cash balance in the balance sheet and are not restricted as to withdrawal. At October 31, 1974, short-term loans consist principally of foreign bank borrowings with an average interest rate of 13.27%. Outstanding commercial paper and certain foreign bank loans with average interest rates of 9.78% and 11.50%, respectively, are included in interim debt classified as long-term debt at October 31, 1974.

The maximum amount of short-term borrowings outstanding at any month end during the year ended October 31, 1974 was \$271,721,000. The approximate daily average of short-term borrowings outstanding during the year and the approximate weighted average interest rate applicable to such borrowings were \$203,628,000 and 11.78%, respectively.

Long-Term Debt

A registration statement filed with the Securities and Exchange Commission relating to the sale of \$150,000,000 of 9¹/₄% Debentures due December 1, 2004 and \$50,000,000 of 8¹/₂% Notes due December 1, 1983, became effective December 5, 1974. The net proceeds therefrom will be used to repay the interim debt as it becomes due and for working capital and other general corporate purposes including, to the extent necessary, financing capital expenditures.

Long-Term Leases

Property, plants and equipment constructed or purchased with proceeds from Industrial Revenue Bonds issued by county and local governmental agencies and leased to the Company are accounted for as Company-owned facilities and the related obligations reflected as liabilities. Annual rentals during the terms of the leases are in amounts sufficient to meet the interest and debt retirement requirements of the bond issues. For leased facilities not reflected on the balance sheet, the approximate minimum annual rentals under noncancelable leases with terms of more than one year, as of October 31, 1974, are summarized below:

Dollars in Thousands	Total	Land and Buildings	Machinery and Equipment
Years ending October 31,			
1975	\$ 32,212	\$ 26,390	\$ 5,822
1976	30,784	25,646	5,138
1977	31,204	23,329	7,875
1978	22,670	20,368	2,302
1979	19,706	17,800	1,906
1980-1984	71,086	67,250	3,836
1985-1989	41,305	41,228	77
1990-1994	18,508	18,508	—
After 1994	9,835	9,835	—
Total Rental Commitments	<u>\$277,310</u>	<u>\$250,354</u>	<u>\$ 26,956</u>

Total rents charged to expense, which includes insignificant amounts of rentals based on a percentage of sales and other contingent rentals, for the years ended October 31, 1974 and 1973 amounted to \$49,888,000 and \$44,369,000, respectively.

Incentive Plans

Incentive compensation is provided for executives and other key employees who, in the opinion of the Incentive Compensation Committee, have made important contributions to the efficient and profitable operation of the Company. The total amount available under the Incentive Compensation Plan is contingent upon the Company's earnings. Part of this amount is distributed in cash and part in Common Stock of the Company purchased on the open market. Employee stock purchase plans enable employees to invest in Firestone Common Stock through payroll deductions. Stock for this purpose is also obtained by purchases on the open market. Awards for incentive compensation and contributions for the Company's participation in stock purchases by employees were \$9,312,000 in 1974 and \$7,205,000 in 1973.

The Employees' Incentive Stock Option Plan of 1970 provides for granting options to employees to purchase shares of the Company's Common Stock. Under this Plan, options were outstanding at the beginning of the year to purchase 761,448 shares of Common Stock. During the year, options for 523,700 shares were granted at \$14.07 per share; no options were exercised and options for 153,225 shares were cancelled. At October 31, 1974, options for 1,114,523 shares at an average price of \$17.40 were outstanding and 1,869,170 shares were reserved for additional options which may be granted in future years while the 1970 Plan is in effect.

Pension Plans

The majority of the Company's employees are covered by trustee contributory and non-contributory pension plans. The cost of these pension benefits charged to income was \$51,030,000 in 1974 and \$39,976,000 in 1973 including amortization of prior service cost over a period of 25 years. The increase in pension cost in 1974 over 1973 resulted principally from amendments to the plans negotiated in the Company's labor contracts to provide additional employee benefits. These amendments were in effect during only a portion of 1973. Pension costs accrued are being funded by payments to trustees. The actuarially computed value of vested benefits for the plans as of December 31, 1973, the latest valuation date, exceeded the amortized cost of the pension fund assets by approximately \$118,647,000. A summary of the pension fund assets as of October 31, 1974 and 1973 and changes in fund assets for the two years are shown below:

Dollars in Thousands	1974	1973
Pension Fund Assets, at Cost:		
Short-Term Securities	\$ 26,743	\$ 46,798
U.S. Government Securities	222	230
Corporate Bonds and Notes	93,354	81,343
Preferred Stocks	5,061	3,458
Common Stocks	377,629	323,736
Real Estate	4,378	4,583
Cash and Interest Receivable	2,352	1,695
Total	<u>\$509,739</u>	<u>\$461,843</u>
Changes in Fund Assets:		
Assets at Beginning of Year	<u>\$461,843</u>	<u>\$423,225</u>
Additions		
Company Contributions	\$ 51,030	\$ 39,976
Employee Contributions	1,933	2,811
Income from Fund Assets	23,604	21,410
Transfer from Predecessor Plans	772	328
Total Additions	<u>\$ 77,339</u>	<u>\$ 64,525</u>
Deductions		
Pension Payments	\$ 28,537	\$ 25,102
Refunds to Withdrawing Employees	906	805
Total Deductions	<u>\$ 29,443</u>	<u>\$ 25,907</u>
Assets at End of Year	<u>\$509,739</u>	<u>\$461,843</u>

A copy of the annual report to the Securities and Exchange Commission on Form 10-K may be obtained after February 1, 1975, by writing: Stockholder Relations Department, The Firestone Tire & Rubber Company, Akron, Ohio 44317.

The Firestone Tire & Rubber Company

Consolidated Balance Sheet

October 31, 1974 and 1973

ASSETS

Dollars in Thousands

1974

1973

Current Assets

Cash and Short-Term Investments		
Cash and Demand Deposits	\$ 37,082	\$ 7,852
Time Deposits and Certificates of Deposit	30,698	99,960
Short-Term Investments	8,938	14,046
	<u>\$ 76,718</u>	<u>\$ 121,858</u>
Accounts and Notes Receivable, Less Allowances	660,083	675,178
Inventories		
Raw Materials and Supplies	\$ 266,440	\$ 189,384
In-Process Products	67,144	60,828
Finished Goods	486,817	404,444
Total Inventories	<u>\$ 820,401</u>	<u>\$ 654,656</u>
Total Current Assets	\$1,557,202	\$1,451,692

Other Assets

Investments, at Cost and Miscellaneous Assets	\$ 70,313	\$ 42,164
Prepaid Expenses and Deferred Charges	23,768	17,515
	<u>\$ 94,081</u>	<u>\$ 59,679</u>

Property, Plants and Equipment, at Cost

Land and Improvements	\$ 95,091	\$ 90,925
Buildings and Building Fixtures	537,917	457,007
Machinery and Equipment	1,670,114	1,490,840
	<u>\$2,303,122</u>	<u>\$2,038,772</u>
Less: Accumulated Depreciation	956,467	881,122
	<u>\$1,346,655</u>	<u>\$1,157,650</u>
Total Assets	<u>\$2,997,938</u>	<u>\$2,669,021</u>

The Financial Review is an integral part of the financial statements.

LIABILITIES

Dollars in Thousands

1974**1973****Current Liabilities**

Short-Term Loans	\$ 141,134	\$ 137,231
Accounts Payable, Principally Trade	231,103	180,088
Long-Term Debt Due Within One Year	27,494	30,374
United States and Foreign Taxes on Income	125,500	108,150
Accrued Items and Other Liabilities	248,577	207,749
Total Current Liabilities	\$ 773,808	\$ 663,592

Long-Term Debt

Domestic Debentures, Less Principal Amount Held in Treasury: 1974 – \$14,420; 1973 – \$17,981		
3 ¹ / ₄ % Due May 1, 1977	\$ 16,184	\$ 18,239
4 ¹ / ₄ % Due July 1, 1988	53,396	55,030
7.30% Due October 15, 2001	100,000	100,000
Interim Debt – Commercial Paper and Bank Loans	129,916	—
Domestic Bank Loans, 5 ¹ / ₂ %, Due 1975	9,000	23,000
Industrial Revenue Bonds, 3.2% to 6.25%, Due 1975-1992	80,294	84,869
Foreign Long-Term Loans, 3.0% to 12.75%, Due 1975-1990	184,139	181,555
Euro-Dollar Convertible Debentures, 5%, Due May 1, 1988	59,616	59,616
	\$ 632,545	\$ 522,309

Deferred Income Taxes	\$ 91,450	\$ 80,600
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Minority Interest in Subsidiary Companies	\$ 46,745	\$ 45,585
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Stockholders' Equity

Serial Preferred Stock (Cumulative), \$1 Par Value, Voting, Authorized 10,000,000 Shares, None Issued		
Common Stock, without Par Value, Authorized 120,000,000 Shares (2,983,693 Shares reserved for employees' options and 2,029,480 Shares reserved for conversion of debentures):		
Shares Issued: 1974 and 1973 – 59,708,046	\$ 62,196	\$ 62,196
Additional Capital	189,434	189,434
Retained Earnings	1,270,754	1,175,044
Total	\$1,522,384	\$1,426,674
Less: Treasury Stock, at Cost: 1974 – 2,801,314 Shares; 1973 – 2,821,339 Shares	68,994	69,739
Total Stockholders' Equity	\$1,453,390	\$1,356,935
Total Liabilities and Stockholders' Equity	\$2,997,938	\$2,669,021

Consolidated Income Statement

FOR THE YEARS ENDED OCTOBER 31

1974

1973

Dollars in Thousands, Except Per Share Amounts

Net Sales	\$3,674,890	\$3,154,919
Other Income	30,162	32,416
	<u>\$3,705,052</u>	<u>\$3,187,335</u>
Less:		
Cost of Goods Sold	\$2,834,090	\$2,372,837
Selling, Administrative and General Expenses	524,785	473,243
Interest and Debenture Expense	63,742	45,602
Miscellaneous Deductions	3,964	3,519
Minority Interests in Income of Subsidiary Companies	6,746	6,773
	<u>\$3,433,327</u>	<u>\$2,901,974</u>
Income Before Income Taxes	\$ 271,725	\$ 285,361
Domestic and Foreign Taxes on Income (includes provision for deferred taxes: 1974 – \$10,850; 1973 – \$18,100)	117,700	120,500
Net Income	<u>\$ 154,025</u>	<u>\$ 164,861</u>
Net Income as a Percent of Sales	4.2%	5.2%
Net Income Per Share of Common Stock	\$ 2.71	\$ 2.89

Retained Earnings

Balance at Beginning of Year	\$1,175,044	\$1,061,377
Net Income for the Year	154,025	164,861
	<u>\$1,329,069</u>	<u>\$1,226,238</u>
Cash Dividends Paid on Common Stock \$1.025 per Share in 1974 and \$.898 per Share in 1973	58,315	51,194
Balance at End of Year	<u>\$1,270,754</u>	<u>\$1,175,044</u>

Additional Capital

Balance at Beginning of Year	\$ 189,434	\$ 189,134
Excess of Proceeds over Stated Value from Sales of Common Stock Under the Incentive Stock Option Plan	—	300
Balance at End of Year	<u>\$ 189,434</u>	<u>\$ 189,434</u>

Statement of Changes in Financial Position

FOR THE YEARS ENDED OCTOBER 31

1974

1973

Dollars in Thousands

Source of Funds

Operations

Net Income	\$ 154,025	\$ 164,861
Depreciation	136,114	119,625
Deferred Income Tax	10,850	18,100
Total from Operations	\$ 300,989	\$ 302,586
Long-Term Debt (Includes Interim Debt \$129,916 in 1974)	145,655	61,839
Increase in Minority Interest in Subsidiary Companies	1,160	4,772
Total	\$ 447,804	\$ 369,197

Disposition of Funds

Payment of Cash Dividends	\$ 58,315	\$ 51,194
Expenditures for Property, Plants and Equipment	329,941	278,200
Repayment of Long-Term Debt	35,419	41,713
Investment in Firestone Credit Corporation	20,000	—
Purchase of Treasury Stock, Net	(745)	8,879
Other Items	9,580	9,097
Total	\$ 452,510	\$ 389,083

Decrease in Working Capital..... \$ (4,706) \$ (19,886)

Changes in Working Capital Components

Cash and Short-Term Investments	\$ (45,140)	\$ (108,444)
Receivables	(15,095)	88,965
Inventories	165,745	45,225
Short-Term Loans	(3,903)	(23,811)
Accounts Payable	(51,015)	(31,225)
Long-Term Debt Due Within One Year	2,880	(1,795)
Taxes on Income	(17,350)	35,849
Accrued Items and Other Liabilities	(40,828)	(24,650)

Decrease in Working Capital..... \$ (4,706) \$ (19,886)

Accountants' Report

To the Board of Directors and Stockholders, The Firestone Tire & Rubber Company:

We have examined the consolidated balance sheet of The Firestone Tire & Rubber Company and subsidiary companies as of October 31, 1974 and the related consolidated statements of income, retained earnings, additional capital and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported on the consolidated financial statements of the Company and subsidiaries for the year ended October 31, 1973.

In our opinion, the above-mentioned consolidated financial statements present fairly the consolidated financial position of The Firestone Tire & Rubber Company and subsidiary companies at October 31, 1974 and 1973 and the consolidated results of their operations and the changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis, except for the change, with which we concur, in the method of valuing inventories as described in the Financial Review.

Coopers & Lybrand

Cleveland, Ohio
December 9, 1974

Ten-Year Financial And Operating Summary

Dollars in Thousands, Except Per Share Amounts

1974

1973

1972

1971

SALES AND EARNINGS

Net Sales	\$3,674,890	\$3,154,919	\$2,690,957	\$2,483,599
Net Income (Note)	\$ 154,025	\$ 164,861	\$ 135,773	\$ 120,262*
Net Income as a Percent of Sales	4.2%	5.2%	5.0%	4.8%
Net Income Retained in the Business	\$ 95,710	\$ 113,667	\$ 87,850	\$ 73,778
Wages, Salaries and Employee Benefits	\$1,192,317	\$1,010,277	\$ 879,060	\$ 799,276
Taxes	\$ 465,200	\$ 450,361	\$ 407,051	\$ 380,793
Depreciation	\$ 136,114	\$ 119,625	\$ 105,405	\$ 100,821

COMMON STOCK

Stockholders' Equity	\$1,453,390	\$1,356,935	\$1,251,829	\$1,180,106
Cash Dividends	\$ 58,315	\$ 51,194	\$ 47,923	\$ 46,484
Per Share**				
Net Income (Note)	\$2.71	\$2.89	\$2.36	\$2.07*
Cash Dividends	\$1.025	\$.898	\$.832	\$.80
Income Tax	\$2.07	\$2.11	\$1.98	\$1.86
Book Value	\$25.54	\$23.85	\$21.86	\$20.36
Shares Outstanding at October 31**	56,906,732	56,886,707	57,257,713	57,962,942
Average Shares Outstanding**	56,890,925	57,023,081	57,597,175	58,070,309
Number of Stockholders	50,337	45,984	41,222	36,624

FINANCIAL POSITION

Total Assets	\$2,997,938	\$2,669,021	\$2,475,285	\$2,344,349
Working Capital	\$ 783,394	\$ 788,100	\$ 807,986	\$ 793,739
Current Ratio, Assets to Liabilities	2.0 to 1	2.2 to 1	2.3 to 1	2.4 to 1
Property, Plants and Equipment				
Net Value at Year End	\$1,346,655	\$1,157,650	\$1,000,545	\$ 918,565
Additions During Year	\$ 329,941	\$ 278,200	\$ 189,295	\$ 147,773
Long-Term Debt	\$ 632,545	\$ 522,309	\$ 502,183	\$ 490,477

*Includes Extraordinary Income of \$6,718,000 or \$.12 Per Share.

**Adjusted to Reflect Two-for-One Stock Split of October 12, 1971.

Note - Net Income for 1974 before the change to the LIFO method of inventory valuation was \$196,260 and \$3.45 per share.

1970

1969

1968

1967

1966

1965

\$2,334,717	\$2,278,909	\$2,131,444	\$1,875,376	\$1,814,592	\$1,609,756
\$ 92,764	\$ 116,686	\$ 127,035	\$ 102,349	\$ 101,765	\$ 86,667
4.0%	5.1%	6.0%	5.5%	5.6%	5.4%
\$ 46,324	\$ 70,156	\$ 84,536	\$ 61,910	\$ 64,336	\$ 52,191
\$ 761,988	\$ 734,173	\$ 656,670	\$ 544,831	\$ 530,880	\$ 471,858
\$ 333,627	\$ 363,706	\$ 339,162	\$ 275,231	\$ 283,413	\$ 245,527
\$ 90,095	\$ 80,549	\$ 72,482	\$ 66,645	\$ 62,025	\$ 54,960

\$1,107,840	\$1,064,139	\$1,010,479	\$ 915,281	\$ 849,242	\$ 782,658
\$ 46,440	\$ 46,530	\$ 42,499	\$ 40,439	\$ 37,429	\$ 34,475

\$1.60	\$2.01	\$2.16	\$1.77	\$1.76	\$1.51
\$.80	\$.80	\$.72	\$.70	\$.65	\$.60
\$1.34	\$1.96	\$2.04	\$1.47	\$1.43	\$1.18
\$19.11	\$18.31	\$17.24	\$15.78	\$14.70	\$13.58
57,985,294	58,117,734	58,609,696	58,015,752	57,768,800	57,634,474
58,056,110	58,196,244	58,797,448	57,871,104	57,694,502	57,568,320
35,841	35,402	34,218	27,168	28,236	28,300

\$2,097,074	\$2,019,256	\$1,882,646	\$1,550,402	\$1,416,740	\$1,259,975
\$ 652,778	\$ 726,130	\$ 704,864	\$ 558,387	\$ 553,108	\$ 498,779
2.3 to 1	2.5 to 1	2.7 to 1	2.6 to 1	2.7 to 1	2.7 to 1

\$ 877,976	\$ 764,864	\$ 683,092	\$ 559,739	\$ 488,029	\$ 429,015
\$ 206,127	\$ 165,909	\$ 199,088	\$ 139,945	\$ 124,652	\$ 126,079
\$ 387,378	\$ 417,078	\$ 406,076	\$ 237,246	\$ 202,777	\$ 156,586

Tires and Marketing

The year just completed was a year of challenges – escalating costs, material shortages, the energy crunch and a slowed-down auto industry. But the Company demonstrated its abilities to meet these challenges with strong management and fiscal policies, aggressive sales programs and a solid employee team able to adapt operations to new methods, techniques and replacement materials.

Raw material costs for the tire operation alone rose approximately 50 percent during the fiscal year and are continuing to increase.

The worst of the critical raw material problems, however, now appears to be over. The availability of a few materials continues to be erratic, but adequate supplies are available to maintain present and foreseeable levels of operations.

While 1974 industry shipments to both original equipment and replace-



Newly designed Steel Radial 500 tire with improved traction characteristics was introduced for the original equipment and replacement markets.

ment markets were somewhat lower than the previous year, Firestone tire plants operated near capacity for passenger car tires, and on an overtime basis for truck, farm and tractor tire production. Unit demand for passenger car tires was, on the whole, lower; but the steadily rising use of radial tires, with their higher prices, helped maintain dollar volume in this segment of the total market.

Radial tires, long the favorite in Europe, are becoming standard on new cars produced in the United States, and are steadily becoming more popular in the replacement market. In the original equipment market approximately 70 percent of the 1975 cars will be on radial tires, and radials now account for about 25 percent of

the replacement market. The replacement market figure is expected to reach 50 percent within the next five years.

The dominant factor of the year in tire production was the increased demand for radial tires from all our customers. To meet these demands, capital expansion programs were undertaken at nearly all of the Company's 15 U.S. tire and tube plants. In addition, the 16th plant, in Wilson, North Carolina, initiated production in April – just 11 months after construction began. The plant is producing steel belted radial passenger car tires exclusively.

Production flexibility was maintained throughout the plants as manufacturing capacity of bias and belted bias tires remained adequate to meet the needs of customers and the auto industry.

New Developments

To keep its tire line competitive, the Company introduced a new wider, seven-ribbed Steel Radial 500 tire for the original equipment and replacement markets; the Cavallino Steel Radial tire to replace the Mini-Sport Radial for most U.S. small cars and imports; and a Super 500 Radial tire made with the new stronger-than-steel Kevlar belts for police patrol cars.

In addition, the Company developed a tire for the future – the Steel Radial 500 ACT (Advanced Concept Tire) with run-flat capabilities. The advanced features of this new product make it possible for the car with a flat tire to be driven more than 50 miles on the highway at speeds averaging 40 miles per hour. The new



The Steel Radial 500 ACT (Advanced Concept Tire), announced during the year, was driven 225 miles after going flat to dramatize the tire's run-flat capability.

Transtee radial truck tires move to tire inspection at the Nashville, Tennessee, plant.



tire is constructed in such a way that should a flat occur, the tire will settle straight down on the rim and continue to run smoothly. It will enable a motorist, incurring a flat tire, to drive safely to a service station for repairs.

Testing programs on this tire continue and, depending on decisions by automobile manufacturers, it could be in use on 1977 cars.

Truck Tires

Industry shipments for truck tires were down slightly from 1973 records, but demands during the year led to some shortages in over-the-highway tire sizes. Plants worked overtime in an effort to meet truck tire demands. A major expansion was started at the Nashville, Tennessee, plant which produces the Transteel Radial truck tire, one of the longest wearing truck tires ever produced by Firestone.

Radials currently represent about eight percent of the replacement truck tires sold but their popularity continues to grow because of fuel saving advantages, long wear and good traction characteristics.

The Transteel Radial tires for buses continued to prove themselves.



All Traction Field & Road tractor tires equip this high horsepower, four-wheel drive combine designed for increased farm productivity.

To date more than 500 million miles have been logged in an evaluation program on intercity buses with excellent performance results.

Farm Tire Sales Soar

A booming farm economy resulted in a record four million replacement tires being shipped by the tire industry in 1974 for tractors and farm implements. Industry shipments to the original equipment market also reached record proportions for 1974.



Demand for heavy duty truck tires kept plants operating on an overtime basis and slightly increased demand is expected in 1975.

Heavy farm tire shipments resulted from the global demands for increased food production, the ever increasing size of the average farm and the improved farm economy. As farms increase in size, farmers are using additional equipment and more powerful, larger tractors.

An expansion of farm tire production facilities at the Des Moines, Iowa, plant was completed during the year in an effort to meet demands. However, demand exceeded all industry capacity and tires were on an allocation basis, a situation which will probably continue through next year.

Off-The-Highway Tires

The advantages of radial tire construction have been successfully proved for off-the-highway equipment, and expanded production facilities for radial earthmover tires are in operation at the Bloomington, Illinois, and Des Moines, Iowa, plants. Firestone's radial earthmover tires are being used to equip giant scrapers and other equipment in construction projects around the country.

Some of the world's largest tires – 12 feet in diameter and four feet wide – were produced at the Bloomington plant for use on haulers with capacity up to 350 tons.

There was increased demand for special equipment tires needed in oil exploration fields and a new Sand Champion tire was introduced for this service.

Sales and Marketing

Firestone, one of the country's major retailers, continued to enlarge its sales network. The dealer tire center program was expanded and



Firestone stores and dealers expanded their line of major appliances with the addition of Frigidaire kitchen and laundry equipment.



Giant 235-ton capacity end dump truck moves on Super Rock Grip Deep Tread tires – more than 10 feet tall.

new Company stores were opened, bringing the total to more than 1,300 throughout the country. The Company also improved its position as a supplier of private brand tires for oil companies and mass distributors.

During the year the Frigidaire line of kitchen and laundry equipment and room air conditioners was added to Firestone's marketing program. Firestone has been a major appliance retailer for more than 35 years and this addition to its line provides a wider selection for customers.

The tire retreading division continued to be an important factor in the market. With the introduction of Temp-R-Tred tread rubber three years ago and the addition of new equip-

ment, Company shops are now capable of retreading all sizes of radial truck and passenger car tires as well as bias and belted bias tires.

In August, the Company announced that it was phasing out the development, production and servicing of USAC Championship and Formula race tires. Faced with skyrocketing costs of auto racing, the Company decided to divert the funds to programs of more direct interest to the stockholders, employees and customers. Firestone will continue to produce and sell race tires for certain types of dragsters, sports and stock cars as in the past.

Tire Divisions

The Dayton Tire & Rubber Company achieved record sales in fiscal 1974 and expanded its share of the tire replacement market.

Major capital expenditure programs at the Dayton, Ohio, and the Oklahoma City, Oklahoma, plants

boosted radial capacity by more than 50 percent for the division.

Dayton, a leader in the original equipment tire markets for mobile homes, travel trailers, and recreational vehicles and all types of replacement tires, introduced nine new tires under its Dayton and Road King lines.

Success through adversity was the story at The Seiberling Tire & Rubber Company. After a prolonged strike during the early part of the fiscal year, the division went on to set new production and sales records. The division is a major supplier of replacement tires under its own name and for private brand customers.

Seiberling's Radial G/N glass belted tire, the first of its kind marketed by any U.S. tire company, was introduced with a major advertising and marketing campaign.

International Operations

Despite economic pressures and some contractions in the worldwide auto industry, international tire markets continued to grow at a faster rate than domestic markets.

Global demand for tires, especially truck, farm and off-the-highway tires, continued to exceed capacity.

To meet this worldwide demand, expansion and growth were key words in international operations. The increases in costs for materials and energy affected all foreign operations but no major production was lost during the year because of shortages.

Europe

Highlight of the year was the opening of the Firestone Europa S.p.A. research and development center near Rome, Italy, which went into full operation during 1974.

The team of research scientists, engineers and other technical people



Firestone Nederland B.V., sales subsidiary in Mijdrecht, Netherlands, handles tire sales, deliveries and service to customers throughout the country.

at the modern, new center is working with European vehicle manufacturers on the development and testing of radial tires for world markets. The Center will also develop new equipment needed for the manufacture of the more complicated radial tires. Four miles of test tracks, on 80 acres adjacent to the Center, are being used to test and evaluate radial tires.

Throughout Western Europe and the United Kingdom, vehicle registrations continued an upward trend. To keep pace with the tire market growth, production expansions were initiated in plants in Italy, France and Spain.

Most plants continued the conversion to radial tire production which provides them increased sales leverage in those areas of the world where radial tires account for a majority of all passenger and truck tires sold. Steelcord radial tire production now represents the major portion of Firestone's total passenger car and heavy duty truck tire capacity in Europe.

The Cavallino S-1 steel belted radial tire has been well received and is equipping many of the new European cars. A new steel belted radial, the Cavallino HS-1, was announced for high performance cars and a new steelcord radial truck tire was also introduced.

Marketing facilities were expanded significantly in the United Kingdom and throughout Europe to insure Firestone's sales position in that area.

Latin America

In Brazil, tire markets expanded rapidly in line with the booming economy. Production of cars, trucks and agricultural equipment increased significantly during 1974 with accompanying increased demand for tires.

Within the next five years passenger car production is expected to jump 80 percent; truck-bus production 50 percent and agricultural equipment 122 percent.



Radial tires go through a wet traction test at the new Europa S.p.A. research and development center test track.

At Firestone's subsidiary plants in Sao Paulo and Rio de Janeiro expansion programs are under way to meet current and future tire needs. When the expansions are completed production capacity for radial passenger car and truck tires will be increased 50 percent.

Subsidiaries and associated factories in Venezuela, Costa Rica and Mexico also achieved record high production and sales as vehicle production in those countries continued to climb. Expansion programs were recently completed or are in progress in all Latin American plants in an effort to keep up with demands.

Africa, Asia, Far East

Plants throughout Africa, Asia, and the Far East experienced record sales, and also achieved all-time high production. Tire demand continued strong and major expansion programs were undertaken in South Africa, Ghana, Australia, New Zealand and Thailand.

The Europa S.p.A. research and development center near Rome, Italy, went into operation and will develop radial tires for world markets.



In the Republic of the Philippines the auto industry recorded a 25 percent growth over the previous year. But, in general, auto industry growth in these areas of the world showed some contraction caused by the oil crisis and continuing high oil prices.

Canada

Growth was also the story in Canada. During the year Firestone Canada Ltd.-Ltée purchased Dunlop Canada, Ltd. which included a passenger tire plant at Whitby, Ontario; a bicycle tire plant at Centralia, Ontario, and a number of distribution and supply outlets throughout the country.

Expansions to increase radial passenger car tire production at the Whitby plant should be completed late next year and truck tire operations are being expanded at the Hamilton, Ontario, and Calgary, Alberta, plants.

Despite long strikes at both Joliet and Hamilton, the Canadian subsidiary supplied a substantial portion of



Huge earthmover at work on dam building project in Brazil moves on Firestone tires.

market demand. The nationwide network of retail stores was expanded and a program to establish dealer tire service centers was launched during the year.

Projected growth for the Canadian economy coupled with current expansion programs will insure Firestone's strong position in the replacement, original equipment and private brand markets.

Natural Rubber

The Firestone Natural Rubber & Latex Company, which operates 124,000 acres of natural rubber plantations in Liberia, Ghana, Brazil, Guatemala and the Republic of the Philippines, was incorporated into the Firestone International Company during the year.

The competitive position of natural rubber has improved significantly over the past several years. Problems of escalating costs and feedstock shortages in the synthetic rubber industry tend to brighten the outlook for the growth of the natural rubber industry. The trend to radial tires also

affects natural rubber's prospects because a significantly greater amount of natural rubber is used in radial tires than in other types of passenger car tires.

To insure its share of the natural rubber market, Firestone continued the replanting program in Liberia where older trees are being replaced with new high yielding varieties.

On the Brazil plantation the final phase of the planting program was started. When planting is completed in 1977, the Brazil operation will encompass 15,000 acres of rubber trees. Additional acreage was also planted in Ghana.

Most of the rubber produced on the Ghana, Brazil and Philippines plantations is shipped directly to Firestone tire plants in those countries.

The division developed and introduced a new low ammonia type natural latex called Hartex 103. With its improved properties, this new product has already been well received in the dipped goods industry and in other markets.



Young rubber trees from nurseries like the one above are being transplanted on Company plantations in Liberia and Brazil. Planting operations continue to insure Firestone's position in the natural rubber markets.

Diversified Products



Airide springs, highly engineered cushions of air, are produced in a variety of styles and shapes for automotive and industrial applications.

Because of the rapid and continuing growth in our non-tire operations, the diversified products divisions were organized into two groups under the direction of separate corporate vice presidents. One retained the name of diversified products group; the other is known as the chemicals and raw materials group. These divisions – representing growth industries – manufacture and sell nearly 40,000 products.

Rubber Products

Firestone Industrial Products Company reported record sales for fiscal 1974. The division met the year's marketing challenges by expanding its distribution network in the United States and abroad and by introducing several new types of vehicle and industrial air springs.

During the year the division introduced the Ride Rite Comfortaires spring for light duty trucks, vans and pickups, and the Marsh Mellow rubber spring for vehicles and for industrial applications.

Growing international markets for industrial rubber products also contributed significantly to the division's growth during 1974. Forecasts for the overseas market were surpassed and domestic and overseas plants worked at capacity to meet demands. The division's new plant in Treherbert, England, began production of various types of air springs and other industrial products.

With its strong marketing organization and product line, the division is in a favorable position to take advantage of the growing demand for its products throughout the United States and abroad.

Spot shortages in chemicals, fertilizers and other liquid materials have resulted in additional business for Firestone Coated Fabrics Company which produces Fabritank collapsible containers.



HELP (High Energy Level Pneumatic) bumper system, a new product development, has been readily accepted by bus manufacturers and operators. It will soon be in use on buses in 22 major cities.

The rubber coated fabric containers, ranging in capacity from 5,000 to 50,000 gallons, have several advantages for businesses, industries, farmers and others using such liquid materials. The tanks are available in reasonable lead time, are installed quickly and require little maintenance.

The tanks are also being used in pollution control projects to contain industrial and municipal wastes and for long distance shipping of liquids.

During the year the division also introduced a crash resistant auto fuel cell which is standard equipment on one line of 1975 automobiles. The fuel cell is intended to reduce the hazard of post-crash fires.

Metal Products

While truck production was somewhat lower than in 1973, demands for truck wheels, rims and other steel automotive parts supplied by Firestone Steel Products Company continued at a high rate.

The division plants in Wyandotte, Michigan; Spartanburg, South Carolina; and London, Ontario, Canada, worked at capacity during the year to meet orders. A prolonged strike at one plant deterred the division from reaching a sales record in fiscal 1974.

The modern new wheel plant in Henderson, Kentucky, started production in October and an expansion of that facility is already in progress to help meet expected rim and wheel demands from truck

manufacturers over the next few years. The Henderson plant is producing wheels and rims for medium and heavy duty trucks with emphasis on wheels for use with radial truck tires.

Markets for stainless steel beverage containers and beer barrels continued to expand, and demand for these products also remained high.

The boom in farming activities throughout the world has caused substantial increases in demands for the division's product line.

Industry production of farm wagons is expected to increase 40 percent this year over 1973 figures and the upward trend is forecast to continue through next year. To help meet these growing needs, a new plant is under construction in Abilene, Kansas, for the exclusive production of farm wagons. The plant is scheduled to begin operations next summer.

New Product Development

The new Firestone HELP (High Energy Level Pneumatic) bumper system has been readily accepted by bus manufacturers and operators throughout the country. The bumper system, a new product development announced last year, will soon be in use on transit buses in 22 major U.S. cities.

The Company is working with all major bus manufacturers who are incorporating the HELP system on new buses. The pneumatic bumpers are designed so that they can also be installed on existing buses.

The pneumatic bumper division started to turn out the systems last summer and has already accumulated a backlog of orders.

The bumper's latest test in a 6 mile per hour crash into a concrete and steel barrier shows no damage to the bus. An 8.5 mile per hour test collision with a 1974 auto equipped with an energy absorbing bumper resulted in no damage to either vehicle.

The system is being used on some of the new advanced prototype Transbus units being built for the U.S. Department of Transportation and test results on the HELP system exceed DOT standards.



Truck wheel plants worked at capacity in 1974 to meet demands from truck manufacturers.

Demands for grey iron castings and metal stampings from the division's foundry have also increased substantially and foundry production is sold out through next year.

With the downturn in the automotive industry, Hamill Manufacturing experienced a reduction in unit volume for its seat belts and shoulder harnesses. Production of child safety seats and infant carriers continued strong during the year.

Production efficiency was improved at the six Michigan plants and helped to offset cost increases for materials and manpower.

Electric Wheel Company experienced unprecedented demand for its products in 1974. The division's sales reached an all-time high and its order backlog rose to the highest level in recent history.

The division is a long established supplier of wheels, rims, hubs, spindles, farm wagon running gear and other products for the agricultural, industrial and construction equipment industries.

Farm wagon running gear stacked for shipment at Electric Wheel Company plant in Quincy, Illinois. A new plant for farm wagon manufacturing is under construction in Abilene, Kansas.



Chemicals and Raw Materials

Despite sharp increases in key raw material costs and the resulting necessity for increased selling prices for urethane flexible foam products, the Firestone Foam Products Company plants continued to operate near capacity during the year.

The growing use of urethane foam as an insulating material, for impact protection, cushioning, carpet backing and other home and industrial applications has increased foam demand an average of 12 percent annually.

To keep up with demand the division expects to increase its 1975 output significantly. A new production facility in Thomasville, Georgia, was opened in October to serve the furniture, bedding and mobile home industries in the Southeast. This is the division's fifth U.S. plant. A major expansion of the Elkhart, Indiana, plant was also completed.

In an industry where demand continues to exceed supply, Firestone Plastics Company increased its production and achieved sales records for its FPC polyvinyl chloride resins and compounds and Velon film and sheeting.

By its commitment to improving productivity and production techniques, the plastics division was able to overcome some of the adverse effects of petrochemical feedstock and fuel shortages and rising costs.

In a move to increase production and to continue participating in the plastic industry's phenomenal growth, the Firestone Plastics Company began construction of a new dispersion resin facility at its Perryville, Maryland,



Two Firestone divisions are major suppliers to the vinyl flooring industry. The Firestone Plastics Company is one of the largest producers of PVC resins used for manufacture of vinyl floor coverings, and the Firestone Synthetic Rubber & Latex Company produces latex used as a binder in the backing material.

plant site. The plant will incorporate the latest and safest equipment and production processes now available.

Dispersion resins are used extensively in manufacturing resilient floor covering, carpet backing, coated fabrics and other commercial products. This new unit will come on stream in mid-1975 and will establish Firestone Plastics as the largest producer of this specialty type resin in the United States.

The division, with calendering and finishing plants in Pottstown, Pennsylvania; West Caldwell, New Jersey, and Salisbury, Maryland, is also a major supplier of Velon film and sheeting for luggage, wall covering and a variety of other products.

Firestone's long experience and manufacturing capabilities place it in a position to capitalize on the expanding vinyl market. Increasingly difficult government standards, however, could have drastic effects on all companies in the vinyl industry.

Early in 1974 the Department of Labor's Occupational Safety and Health Administration (OSHA) undertook a study of the possible health hazards of vinyl chloride.

The plastics division cooperated fully in the study and provided the Department of Labor with extensive documentation covering all aspects of the problem.

The Company is deeply concerned over any potential medical and safety problems and is willing to expend all the capital necessary for research, development and implementation of those procedures which will reduce employee exposure to vinyl chloride monomer to the lowest technologically feasible level. However, the new standards set by OSHA in October seem unrealistic and with today's technology are impossible to achieve.



Polyester tire yarn is checked at the synthetic fibers plant in Hopewell, Virginia. The yarn is then shipped to textile plants where it is processed into tire cord fabric.

Firestone Foam Products Company plants operated near capacity during the year and the division opened its fifth U.S. plant in Thomasville, Georgia.





Production of steelcord for use in radial tires began at the new plant in Danville, Kentucky.

Firestone plans to work for feasible standards so that the industry will be able to continue operations with due regard for the health and safety of its employees in their jobs.

Dedicated to a program of growth throughout the world, Firestone Synthetic Rubber & Latex Company had record sales in 1974 and broadened its marketing base.

Final production figures for 1974 equalled the all-time record year of 1973 despite raw material shortages. The division met the challenges of shortages and rising costs by finding replacement materials and new methods. Engineers and scientists continued to work toward further reduction of the fuel and energy needed to produce synthetic rubber.

The synthetic rubber division maintained its leading position as producer of an improved type of

rubber – Stereon synthetic rubber copolymer, made by a unique Firestone process. Demand for this improved copolymer continued to grow, and the division opened its third production unit at Orange, Texas, during the year. Other facilities producing Stereon at Lake Charles, Louisiana, and Port Jerome, France, operated at capacity.

An increasing number of synthetic polymers, especially Diene synthetic rubber, are being used to provide strength and flexibility to otherwise brittle plastics. Diene is used in rubber modified polystyrene which, in turn, is used for housewares, furniture, refrigerators and toys. A specialized Firestone rubber is being marketed for use in production of ABS resins, a base material for plastic pipe and automotive parts.

With its production capabilities and technical know-how to tailor polymers for its customers' specific uses and products, the synthetic rubber division remains in an excellent position to take advantage of growing market opportunities.

The oil crisis and material shortages were the major stories of 1974 at the Firestone Synthetic Fibers Company since the major raw materials used to manufacture nylon and polyester are petroleum derivatives. By utilizing all available raw materials for its nylon 6 and polyester tire yarn production, the division was able to meet demands for its synthetic tire yarns; however, fine denier nylon operations were adversely affected.

If the energy situation remains relatively stable and raw material shortages continue to ease, the outlook for 1975 is that both the nylon and polyester tire yarn operations will operate at capacity.

In a further expansion of Company operations and in order to supply its own high quality steelcord for tires, the Firestone Wire & Cable Company began production during the year at its new plant in Danville, Kentucky.

The plant is producing finely-drawn brass plated steel wire for use in Firestone's line of steel belted radial tires. The new plant is the first production facility in the U.S. tire industry to operate completely on the metric system, and is also the first domestic steelcord plant in the industry.

The Firestone Wire & Cable Company also operates a plant in Lens, France, which supplies steelcord for the Company's European tire plants.

Exports from the Firestone Textile Company plants reached record levels in 1974 as the worldwide shortages of tire cord fabric became more acute.

Textile plants which produce tire cord materials from synthetic yarns and steelcord worked at capacity to meet demands from Firestone tire plants here and abroad and from its outside customers.

The division operates plants in Gastonia, North Carolina; Bowling Green, Kentucky; Bennettsville, South Carolina, and Woodstock, Ontario, Canada.

Research

Growth of a company generally develops from a well planned and broadly based program of research such as exists at Firestone. But the research, testing and evaluation of new products, materials or procedures are long range matters which may take years to reach full commercial application. Research projects, however, indicate the Company's ability to anticipate society's changing needs and demands. They suggest the Company's future.

In 1974 Firestone's central research laboratories intensified work on those projects relating to a changing world - ecology, energy conservation and new materials to replace those in short supply.



Utilizing the finite-element method of stress analysis and computers, scientists analyze structural problems of tires and wheels. Above scientist checks computer printout of tire section.

For the improved study of materials, Firestone research put into operation what it believes is the most advanced research instrument available for analyzing the molecular structures of rubber, plastic and fiber materials.

The instrument, a magnetic resonance spectrometer which utilizes the carbon-13 isotope, is believed to be the only one in the tire industry. It enables scientists to obtain a wide range of information not previously possible and is helping in



Holographic studies, using a laser-beam camera, identify and measure stress and strain in a vibrating tire. The studies are used in design of stronger tires with improved performance characteristics.

the development of new and improved materials for use in tires and other Firestone products.

Use of the finite-element research method of stress analysis coupled with computerized technology provided Company scientists insights into the construction and performance of tires and wheels never before possible. These studies are instrumental in the current development of tires and wheels which will be significantly advanced with respect to design and construction materials.

Development and testing work continues on PNF rubber, a semi-inorganic elastomer which was announced last year. This phosphazene polymer, which has a minimum of petrochemicals in its chemical composition, could be an important factor in helping ease the impact of petroleum shortages. It is currently undergoing further tests for use in military aircraft and in the automotive, heavy equipment and petroleum exploration industries.

Efforts to find materials and methods of controlling flammability and inhibiting smoke and toxic combustion of rubbers, fibers and plastics were also continued during the year.

Environmental Engineering and Research

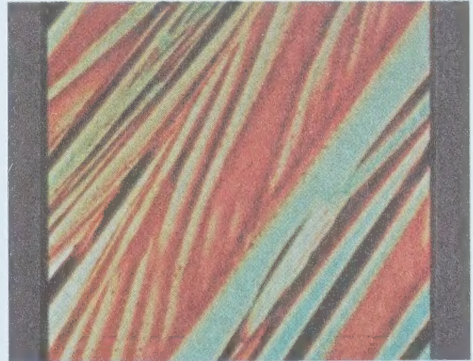
Firestone's strong commitment to environmental engineering excellence took two approaches in 1974 - research into new solutions and the

upgrading of present systems of pollution control including air, water, solid wastes and noise.

In the research and development area, several programs are in progress. At the Pottstown, Pennsylvania, plant a project is under way to study the feasibility of capturing sulfur oxides from boilers fired with high sulfur-fuel oils. If this program proves to be workable, it would permit use of these high sulfur oils as a boiler fuel which would meet all the stringent environmental requirements, and the technology will be made available to the public in the national interest.

Efforts to find recycling methods, conserve raw materials and eliminate the scrap tire problem also continue to show progress. At the central research laboratories scientists have developed a new process for converting scrap tires into a liquid containing reusable materials. The product identified as "DSR", depolymerized scrap rubber, is undergoing extensive tests and evaluation to determine the feasibility of using it as a recycled source of carbon black and process oil in tire manufacturing.

Engineering progress was also made in air, water, solid waste and noise pollution control by refining and upgrading existing programs at Firestone facilities to meet the constantly changing requirements.



Crystallinity pattern of an antioxidant - magnified five million times - aids scientists in their search for new compounds for rubber, plastics and fiber products.

People and Programs

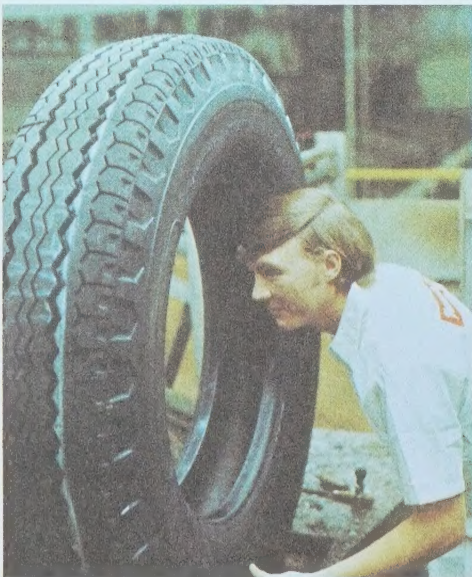
During the past year the people of Firestone continued to be the Company's most important asset. Firestone men and women around the world exhibited great ingenuity in meeting shortages, adapting to replacement materials and instituting new methods to save energy and to control costs. The Company's achievements during the year reflect the talent and dedication of employees throughout the world.

In 1974 the Company put renewed emphasis on employee and management training programs to insure that all employees contribute to achieving Company objectives and make progress in proportion to their contributions.

Affirmative Action Programs

A variety of affirmative action programs designed to increase minority and female employment at all levels of the business have been implemented.

In 1974 Firestone reported to the Government that 1,032 minority employees had been hired during the past year and that minorities constituted 15.2 percent of Firestone's total U.S. employment. Since 1970 Firestone's minority employment has increased 27.8 percent.



Thomas E. Abbott, tire inspector at the Nashville, Tennessee, plant started his Firestone career two years ago.

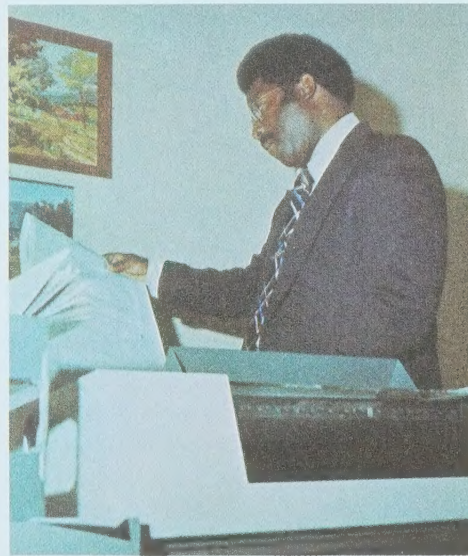
The Company also continued to improve minority representation in managerial, professional, sales and technical positions. Minority employment in these jobs is 1,209, an increase of nearly 15 percent over the previous year. Since 1970 the number of minority employees in professional jobs alone has increased 91.3 percent; in managerial 41.9 percent; in technical 93 percent; and in sales 42 percent.

Women now represent 12.3 percent of Firestone's total U.S. employment, an increase of 16 percent since 1970. Women are filling 3.5 percent of all official-managerial, professional, technical and sales posts. Since 1970 the greatest increases were a 340 percent increase in women in sales positions; and a 138 percent increase in the officials and managers category.

Management remains committed to improving recruiting and hiring programs for qualified women and minorities and to upgrading them.

Corporate Responsibility

Firestone continues to support a variety of programs and projects including Future Farmers of America, 4-H, Scouting and other youth groups,



R. L. Chandler, manager of truck tire sales in the Milwaukee, Wisconsin, district, has held a variety of management posts in the sales department.

United Way organizations, hospitals, the United Negro College Fund and college associations in states where Firestone has plants. The Firestone Scholarship program provided full college scholarships worth up to \$11,200 each to 44 sons and daughters of employees in 1974 bringing the total scholarships awarded since 1952 to 693, with an estimated total value of \$3,000,000.

Firestone also gave its full cooperation to the JOBS program of the National Alliance of Businessmen by providing jobs for the chronically unemployed and veterans.

The Company endeavored to combat the public's lack of confidence in business by continuing its economic and community relations programs in plant cities. The Company also made a \$125,000 grant to establish a chair of economic education at the University of Akron to help improve understanding of the American economic system among students, educators and the public.

The center expects to reach some 100,000 students and teachers at the elementary, secondary and college levels in the Akron area.

Commitments of time and personal service by Company management and thousands of employees help to improve communications among people and ultimately help achieve greater understanding of Firestone as a company and of the American business system as a whole.



Margaret H. Y. Lou, economic analyst at the Company's headquarters in Akron, Ohio, holds master's degrees in economics and engineering sciences.

Directors

Raymond C. Firestone

Chairman

Richard A. Riley

President and Chief Executive Officer

Robert P. Beasley

Executive Vice President

Willard C. Butcher

President, The Chase Manhattan Bank, N.A.

Edward F. Carter

Executive Vice President

Mario A. Di Federico

Executive Vice President

Kimball C. Firestone

Vice President

John F. Floberg

Vice President, Secretary and General Counsel

George F. Karch

Honorary Chairman, The Cleveland Trust Company

Frank A. LePage

Executive Vice President

Herbert E. Markley

President, The Timken Company

Officers

Raymond C. Firestone

Chairman

Richard A. Riley

President and Chief Executive Officer

Robert P. Beasley

Executive Vice President

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Executive Vice President

Frank A. LePage

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Vice President

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Vice President

Jack M. Cornely

Vice President

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Vice President, Secretary and General Counsel

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Vice President

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Vice President

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Vice President and Comptroller

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Assistant Secretary

Ian R. MacLeod

Assistant Secretary

Richard C. Clevenger

Assistant Comptroller

Alexander J. McNair

Assistant Comptroller

Wilton L. Smith

Assistant Comptroller

John B. Welsh

Assistant Comptroller

DOMESTIC FACILITIES

Tires and Tubes

Russellville, Arkansas
Los Angeles, California
Salinas, California
Albany, Georgia
Bloomington, Illinois
Decatur, Illinois
Des Moines, Iowa
Wilson, North Carolina
Akron, Ohio
Barberton, Ohio
Dayton, Ohio
Oklahoma City, Oklahoma
Pottstown, Pennsylvania
Memphis, Tennessee
Nashville, Tennessee

Diversified Products

Magnolia, Arkansas
Prescott, Arkansas
Los Angeles, California
Quincy, Illinois
New Castle, Indiana
Noblesville, Indiana
Henderson, Kentucky
Almont, Michigan
Bad Axe, Michigan
Imlay City, Michigan
Romeo, Michigan

Udly, Michigan
Washington, Michigan
Wyandotte, Michigan
Westbury, New York
Akron, Ohio

*Ravenna, Ohio
Spartanburg, South Carolina
Newport, Tennessee

Chemicals and Raw Materials

Thomasville, Georgia
Elkhart, Indiana
Bowling Green, Kentucky
Danville, Kentucky
Lake Charles, Louisiana
Perryville, Maryland
Salisbury, Maryland
West Caldwell, New Jersey
Conover, North Carolina
Gastonia, North Carolina
Corry, Pennsylvania
Pottstown, Pennsylvania
Bennettsville, South Carolina
Memphis, Tennessee
Milan, Tennessee
Orange, Texas
Hopewell, Virginia

*Operated for U.S. Government

Tire Test Centers

Columbiana, Ohio
Fort Stockton, Texas

FOREIGN FACILITIES

Tires and Tubes

Buenos Aires, Argentina
Sydney, Australia
Rio de Janeiro, Brazil
Sao Paulo, Brazil
Calgary, Alberta, Canada
Centralia, Ontario, Canada
Hamilton, Ontario, Canada
Joliette, Quebec, Canada
Whitby, Ontario, Canada
San Jose, Costa Rica
Bethune, France
Bonsaso, Ghana
Bombay, India
Bari, Italy
*Osaka, Japan
Nairobi, Kenya
*Cuernavaca, Mexico
*Mexico City, Mexico
Christchurch, New Zealand
*Askim, Norway
Alchochete, Portugal
Manila, Republic of the Philippines

Brits, South Africa
Port Elizabeth, South Africa

*Bilbao, Spain
*Burgos, Spain
Boras, Sweden
Viskafors, Sweden
Pratteln, Switzerland
Bangkok, Thailand
Bizerte, Tunisia
Brentford, England, United Kingdom
Wrexham, Wales, United Kingdom
*Montevideo, Uruguay
Valencia, Venezuela

Diversified Products

Melbourne, Australia
Sydney, Australia
London, Ontario, Canada
Midland, Ontario, Canada
Penetanguishene, Ontario, Canada
Port Elizabeth, South Africa
*Bilbao, Spain
Tvaaker, Sweden
Brentford, England, United Kingdom
Swindon, England, United Kingdom

Treherbert, Wales, United Kingdom

Chemicals and Raw Materials

Buenos Aires, Argentina
Sao Paulo, Brazil
Woodstock, Ontario, Canada
Lens, France
Port Jerome, France
*Bareilly, India
*Bilbao, Spain

Tire Test Center

Rome, Italy

Rubber Plantations

Itubera, Brazil
Bonsaso, Ghana
Retalhuleu, Guatemala (Experimental)
Cavalla, Liberia
Harbel, Liberia
Makilala, Republic of the Philippines

Rubber Purchasing and Preparation

Butterworth, Malaysia
Singapore, Singapore

*Firestone Associated Factory



Your Symbol
of Quality and Service